

FISCAL NOTE

Bill #: HB0753

Title: Establish the Montana Clean Campaign Act

Primary Sponsor: Buzzas, R

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
State Special Revenue - Administration	\$30,460	\$20,000
State Special Revenue – to Candidates	\$350,000	\$25,000
Revenue:		
State Special Revenue	\$405,000	\$25,000
Net Impact on General Fund Balance:	\$0	\$0

<input type="checkbox"/> Significant Local Gov. Impact	<input type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input checked="" type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Commissioner of Political Practices

1. Passage of HB 753 would require the Commissioner of Political Practices to adopt rules implementing Sections 1 through 23. The total estimated cost for legal expenses in FY 2004 is \$9,660.
2. The Commissioner of Political Practices would have contracted services expenses to propose rules formatted per ARM regulations. It is estimated that the contract would be 80 hours at a cost of \$10.00 per hour, resulting in a cost of \$800 in FY 2004.
3. Passage of HB 753 would require the need for continuing legal services to enforce Sections 1 through 23. The total estimated yearly fiscal cost for these legal services is \$2,800.
4. There were 41 statewide candidates and 321 legislative candidates in the 2000 election cycle. Assuming there is the same number of candidates in the 2004 elections and assuming that 50 percent of the candidates would participate in the Montana Clean Campaign Act, 21 statewide candidates and 161 legislative candidates would participate in 2004.
5. Passage of HB 753 would require that candidates who wish to participate in the Montana Clean Campaign Act meet qualifying conditions. Assuming that 50 percent of the statewide and legislative candidates in 2004 would participate, over 76,000 receipts of qualifying contributions would have to be submitted to the commissioner with the report required in Section 10(1).

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6. Passage of HB 753 would require candidates who wish to participate in the Montana Clean Campaign Act to file an application with the Commissioner of Political Practices before the end of the qualifying period in Section 7. This would result in 342 applications being filed with the commissioner.
7. With passage of HB 753, the commissioner would issue to a participating candidate amounts for the primary and general elections from the clean campaign fund. Clerical and accounting support for administration of the fund would require an additional 0.50 FTE administrative support position grade 11 at a cost of \$17,200 per fiscal year.
8. HB 753 would create a clean campaign fund. The fund would consist of the following revenues: (1) qualifying contributions paid by candidates seeking certification as participating candidates (\$380,000 in FY 2004 if 50 percent of statewide and legislative candidates participate), (2) contributions raised during the exploratory period that are not spent by the end of the qualifying period (the amount of revenue from this source is undeterminable), (3) funds provided for the primary and general election not spent by the day of the primary or the general election (amount is undeterminable), (4) fines levied by the commissioner against candidates for violations of Sections 1 through 23 (the amount of revenue from fines is undeterminable), (5) money resulting from the voluntary tax check offs provided for in HB 753, and (5) interest or other income generated by money in the fund.
9. Passage of HB 753 would require the commissioner to pay participating candidates set amounts from the clean campaign fund. If 50 percent of the statewide and legislative candidates in 2004 participate and assuming they were contested races, the schedules show payment of \$4,498,000 in FY 2004 and \$11,934,000 in FY 2005 from the fund.
10. Because HB 753 requires the commissioner to adjust the schedule of funding to candidates proportionate to the funds available, the FY 2004 projected payments are approximately \$350,000.

Department of Revenue

11. Section 12 of the introduced bill provides for a voluntary check off for individual income tax purposes as one means of providing funds for the clean campaign fund established in Section 4 of the bill. Under the check off provisions, taxpayers requesting a refund of taxes paid during the year may elect to direct a portion of their refund to the account. Specifically, the bill provides that taxpayers may check the clean campaign fund check off box if they wish to “designate \$25 ___ \$50 ___ or more ___” of their refund. This language indicates that taxpayers would not be able to contribute less than \$25 of their refund to the clean campaign fund.
12. The DOR has no means of accurately estimating the number of taxpayers who would choose to use the check off provided for in this bill, or the average amount of those check offs. For the purposes of this fiscal note, guidance is taken from the use of existing check offs, and the use of the public campaign fund check off that was in effect during the period 1987 through 1992. Under that check off, taxpayers could contribute \$1 to the public campaign fund by adding the contribution to their tax liability. The following table shows the public campaign fund check off usage for the years 1987 through 1992:

Public Campaign Fund Usage

<u>Year</u>	<u>Number of Users</u>
1987	2,403
1988	1,495
1989	1,466
1990	2,080
1991	1,621
1992	1,707

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The following table shows the number of taxpayers using each of the current tax check offs, the total amount donated, and the average donation:

Checkoff Usage for Current Checkoffs on Income Tax Form, Tax Years 1999 - 2001									
Ag in Montana Schools				Child Abuse and Neglect			Non-Game Wildlife		
Tax Year	Number	Total Donation	Average Donation	Number	Total Donation	Average Donation	Number	Total Donation	Average Donation
1999	857	\$8,617	\$10	1,819	\$22,129	\$12	1,581	\$20,841	\$13
2000	924	\$11,498	\$12	2,057	\$27,160	\$13	1,768	\$22,070	\$12
2001	941	\$10,290	\$11	2,052	\$29,155	\$14	1,764	\$22,674	\$13

13. Because the minimum check off allowed is \$25, fewer taxpayers will elect to use this check off than used the public campaign check off, which provided for a \$1 donation. Fewer taxpayers will use this check off than use the existing check offs as the average donation for those check offs is around half the minimum \$25 provided for in this bill. For the purposes of this fiscal note, it is assumed that 1,000 taxpayers will use the check off and make an average donation of \$25. This results in \$25,000 deposited in the clean campaign fund annually.
14. This bill has a minimal impact on the administrative expenses of the Department of Revenue.

FISCAL IMPACT:**Commissioner of Political Practices – HB 2**

	FY 2004 <u>Difference</u>	FY 2005 <u>Difference</u>
FTE	0.50	0.50
<u>Expenditures:</u>		
Personal Services	\$17,200	\$17,200
Operating Expenses	<u>\$13,260</u>	<u>\$2,800</u>
TOTAL	\$30,460	\$20,000

Funding of Expenditures:

State Special Revenue (02)	\$30,460	\$20,000
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Revenues:

State Special Revenue (02)	\$380,000	\$0
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Commissioner of Political Practices – Statutory Approp

Payments to Candidates	\$350,000	\$25,000
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Department of RevenueRevenues:

State Special Revenue – Clean Campaign Fund (02)	\$25,000	\$25,000
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue – Clean Campaign Fund (02)	\$24,540	\$4,540
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DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay?
(please explain)

No. If a candidate wants to participate in the fund, they must raise the qualifying number of contributions. All qualifying contributions are deposited into the fund.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

This function will be self-supporting and distributions will be prorated depending on the revenue deposited and the interest earned on the account.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)

The candidate deposits and the Department of Revenue estimate of revenue are less than the schedule, but the bill provides for proration.

- d) Does the need for this state special revenue provision still exist? ___ Yes ___ No (Explain)

HB 753 would require existence of the fund. If HB 753 is not successful, there is no need for the fund.

- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)

No.

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)

Yes, upon passage and approval of HB 753.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

The program/activity including all administrative costs will be accounted for in this one state special revenue fund and the statutory appropriations will vary depending on the revenue in the fund. This would not be possible in the general fund.